

-1-

## Analysis of the Proposed Overseas

### Allowances Act of 1954

#### Title I - Objectives, Definitions, and General Provisions

Sec. 101. This section states the objectives of the bill.

Sec. 111. This section defines terms used frequently in the bill. Two of the definitions affect geographic coverage. "Continental United States" is defined as the existing 48 States and the District of Columbia. Thus, Statehood for Alaska or Hawaii would not automatically terminate territorial allowances and differentials in those areas. The definition of Territories and possessions excludes the Canal Zone and the Trust Territory of the Pacific Islands. The foreign allowance and differential plan replaces the existing territorial plan in the Trust Territory.

Sec. 121. This section continues the provisions of existing legislation authorizing the President to establish rules regulating the payment of allowances and differentials for overseas service.

Sec. 122. This section, as compared with existing statutes, extends eligibility for foreign post differentials and for territorial cost-of-living allowances and territorial post differentials to employees whose rates of basic compensation are fixed administratively. Present authorities for these forms of compensation are limited to employees whose salaries are set by statute, such  
as the

as the Classification Act and postal groups. Other existing overseas allowances are not restricted to any particular pay group. The proposed language permits payment of allowances and differentials to employees whose pay rates are fixed administratively only if their rates correspond with rates fixed for comparable work in the States and do not include amounts for purposes considered in allowances and differentials provided by this Act.

Sec. 123. This section continues and combines current provisions of sections 116(j) and (k) of the Internal Revenue Code which exempt overseas allowances, but not post differentials, from Federal income tax.

## TITLE II - Allowances and Differentials in Foreign Areas

Sec. 201. This section restricts payment of foreign allowances and differentials to employees who are citizens or nationals of the United States and stationed in foreign areas. Some forms of additional compensation at foreign posts are now restricted to citizens by law; the others are so restricted by administrative regulation. Use of the term "stationed" rather than either "permanently stationed" or "assigned" which appear in other acts (See Act of June 26, 1930 - 5 USC 118a, and section 901 FS Act - 22 USC 1131) is deliberate. The word "permanently" is misleading since few employees remain at any one overseas post for assignments sufficiently long to be considered permanent. The average assignment is from two to four years. The word "assigned" might prevent payment of a differential to an employee

-3-

an employee during a long period of detail at a hardship post. The present general provision of law authorizing such payment (207 Ind. Off. Appro. Act of 1949 - 5 USC 118h) contains the word "stationed".

Part A - Quarters Allowances

Sec. 211. This section consolidates provisions of the Act of June 26, 1930 (P.L. 445, 71st Cong., 46 Stat. 818) and of section 901(1) of the Foreign Service Act of 1946 (P.L. 724, 79th Cong., 60 Stat. 999) and makes certain revisions as indicated below:

- (1) The temporary lodging allowance, now available only to officers and employees of the Foreign Service, is extended to officers and employees of other agencies subject to the act.

A temporary lodging allowance of not in excess of one month is also provided at the conclusion of a tour of duty.

The provision in the Foreign Service Act of 1946 which restricts the amount that can be paid as a temporary lodging allowance to the aggregate amount of the per diem that would be allowed to the employee and the members of his family if they were in travel status is omitted.

- (2) The quarters allowance, provided by section 901(1) of the Foreign Service Act for the Foreign Service and by the Act of June 26, 1930, for officers and employees

of all agencies

-4-

of all agencies whenever Government-owned or rented quarters are not provided without charge, is continued.

Water is added to the utilities covered by the quarters allowance.

- (3) Provision is made for payment of an allowance to reimburse personnel for unusual expenses incurred in the initial repair, alteration, and improvement of substandard dwellings.

Exemption from RS-3648 (31 USC 529) permits the Government to advance funds to employees to meet landlords' demands for advance rental payments. Such requirements where housing is acute may be for as much as one year's rent. Employees in the lower and middle brackets seldom have money available to make advance payments and present legislation, with few exceptions, prohibits the Government's advancing rental allowances. Where advance rental payments are made under this exemption, the Government's interests will be protected by regulation.

#### Part B - Cost-of-Living Allowances

Sec. 221. This section provides for the following cost-of-living allowances for service in foreign areas:

- (1) Post Allowance: The proposed legislation gives permanent statutory authority to all agencies operating overseas to pay post allowances. Although the proposed language differs from that of existing legislation, there is no actual legal change.

(2) Transfer

-5-

- (2) Transfer Allowance: There is no difference between the scope of existing legislation and the proposed legislation relating to transfers between foreign areas. The change in language — from "establishment of his residence at his post of assignment" to "establishing himself at any post of assignment overseas" — is made for the sake of clarity.

The proposed legislation also provides for a home service transfer allowance available only when the home assignment is between assignments to foreign posts.

- (3) Separate Maintenance Allowance: The proposed legislation changes the phrase "country of assignment" to "post of assignment" in order to make the administration of this allowance more flexible, practical, and economical.
- (4) Education Allowance: The proposed legislation, if enacted, will be the first permanent provision for assisting civilian employees of all U. S. Government agencies operating in foreign areas, wherever stationed, in educating their minor children. Such provision was attempted in H.R. 9364, August 8, 1950, and S. 1985, August 9, 1951, which proposed the establishment of free Government schools abroad, or the granting of allowances for tuition and costs at other schools, and necessary transportation. The current proposal covers only allowances and transportation.

Existing

-6-

Existing legislation authorizing the Defense Department to establish schools when needed is not affected by this proposed legislation. Legislation authorizing allowances similar to those described above will, of course, be superseded.

#### Part C - Representation Allowance

Sec. 231. This section, for the first time, specifically authorizes a representation allowance for all agencies operating in foreign areas and for resident missions to international conferences, such as the United States' Delegation to the United Nations. It is not contemplated, however, that more than a few agencies will require this allowance, and then only in the case of senior officials.

#### Part D - Storage Allowance

Sec. 241. This section would extend to employees of other agencies operating overseas the storage allowance now confined to employees of the Department of State. It combines the language in sections 911 (4) and (5) of the Foreign Service Act and in the Department of State's 1954 Appropriation Act. The "emergency" limitation, in 911(4), however, is eliminated and, in lieu, a third proviso is inserted which authorizes storage whenever storage would avoid the cost of transporting effects from one location to another.

#### Part E - Official Residence Allowance

Sec. 251. This section, for the first time, permits payment, under appropriate regulations, of funds for unusual housekeeping expenses

-7-

expenses to top officials of all agencies. Heretofore, an allotment for such expenses was restricted by section 902 of the Foreign Service Act to the principal diplomatic or consular officer at each post. Experience has shown that certain ranking subordinates and a limited number of top officials of other agencies are required by their positions to maintain residences substantially larger and more elaborate than their normal requirement, and, as a result, incur unusual housekeeping expenses in the performance of their duties.

A proviso is included to require an accounting to the President of all allowances and reporting of such expenditures annually to the Congress.

#### Part F - Post Differential

Sec. 261. This section continues and extends existing authority for payment of post differentials at foreign posts, based on undesirable conditions of environment, at rates not in excess of 25 percent of rates of basic compensation. Two authorities exist at present: section 443 of the Foreign Service Act of 1946, for Foreign Service staff officers and employees; and section 207 of the Independent Offices Appropriation Act, 1949, as amended, for all other departments. The language of the two differs somewhat, but in accordance with standards set by Executive Order 10,000, the Department of State has established a single schedule of post differentials equally applicable under both authorities.

The proposed

The proposed provision follows the language in section 207 of the Independent Offices Appropriation Act of 1949, as amended. It extends authority for payment of post differentials to Foreign Service officers and reserve officers of the State Department, the only groups paid at statutory salary rates for whom such authority is not now provided. Rates of salary differential will continue to be determined by careful analysis of environmental conditions at each post or area. Resident Americans and certain other groups will be excluded, as at present, through regulation.

Title III - Allowances and Differentials in Territorial Areas

Sec. 301. This section restricts payment of territorial allowances and differentials to citizens or nationals of the United States. Although not specifically required by existing statutes, this conforms with prevailing current practice in territorial areas.

Sec. 311. This section authorizes territorial cost-of-living allowances in territorial areas to offset differences from the cost of living in Washington, D. C. The new authority corresponds closely to the existing territorial cost-of-living provisions of section 207 of the Independent Offices Appropriation Act, 1949, as amended. The principal change is the elimination of the existing 25 percent ceiling on territorial cost-of-living allowances and on the total of territorial cost-of-living allowances and post differentials combined.

Sec. 321



-9-

Sec. 321. This section authorizes a storage allowance, a new allowance in territorial areas, on the same basis as authorized in section 241 for foreign areas.

Sec. 331. This section continues existing authority for territorial post differentials, including the restriction to a maximum rate of 25 percent, provided by section 207 of the Independent Offices Appropriation Act, 1949, as amended. Persons normally resident in territorial areas will be excluded, as at present, through regulation.

#### Title IV - Miscellaneous Provisions

This title contains various technical provisions normally attaching to enabling legislation of this type. Provisions are included for authorizing appropriations, repealing specified statutes, maintaining rights and liabilities under repealed statutes, and continuance in force of existing rules, regulations, and executive orders until regulations under this Act rescind, modify, or supersede them.

It is proposed that the Act shall be effective the first day of the first pay period which begins after three months following the date of enactment.